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TRANSNATIONAL CORPORATIONS

Report of the Commission on Transnational Corporations
on its sixteenth session

Addendum

Programme budget implications of draft resolution III,
entitled "Activities of the United Nations Centre on
Transnational Corporations"

Statement submitted by the Secretary-General
in accordance with rule 31 of the rules of
procedure of the Economic and Social Council

1. The Commission on Transnational Corporations, in its report to the Economic and Social Council, recommended to the Council the adoption of a number of draft resolutions, one of which, namely, draft resolution III entitled "Activities of the United Nations Centre on Transnational Corporations", would have implications on the programme budget. Prior to the adoption of the draft resolution, the Commission was orally advised that the draft resolution would have implications on the programme budget and that a related statement would be submitted to the Economic and Social Council when it considers the draft resolution. The present statement is submitted accordingly.

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A. Description of activities proposed in the draft resolution and their relationship to current legislative mandates

2. By the following operative paragraphs of part II of the draft resolution, the Economic and Social Council would:

1. Request the Executive Director of the United Nations Centre on Transnational Corporations to prepare, based on the provisions of General Assembly resolution 44/228 of 22 December 1989 on the United Nations Conference on Environment and Development, in accordance with the requirements established by the Preparatory Committee of the Conference, in co-operation with the United Nations Environment Programme and other relevant organs and bodies of the United Nations and in consultation with the Secretary-General of the Conference, a comprehensive and analytical study for submission to the Commission on Transnational Corporations at its seventeenth session with a view to helping the Commission make a significant and action-oriented contribution to the preparatory work of the Conference;

2. Also request the Executive Director of the Centre, in preparing the study requested, to focus on the role of transnational corporations and other commercial entities of a similar nature in promoting access to and transfer of environmentally sound technologies to developing countries, in accordance with General Assembly resolution 44/228, particularly paragraph 15 (m), to include specific and innovative proposals to strengthen such transfer and, in co-operation with the United Nations Conference on Trade and Development, the United Nations Industrial Development Organization, the United Nations Environment Programme, the United Nations Educational, Scientific and Cultural Organization, the World Intellectual Property Organization and other relevant organs and organizations of the United Nations system, to investigate the issue as well as other measures that could further encourage and mobilize transnational corporations and other commercial entities of similar nature to protect and enhance the environment in relation to development;

3. Take note with appreciation of the report of the Secretary-General on transnational corporations and issues relating to the environment (E/C.10/1990/10), including the criteria for sustainable development management set out in annex I of the report, and requests the Executive Director of the Centre, in co-operation with the United Nations Environment Programme and other relevant organs and bodies of the United Nations and in consultation with the Secretary-General of the United Nations Conference on Environment and Development, and taking full account of other ongoing work, to continue examination, pursuant to Economic and Social Council resolution 1989/25 of 24 May 1989 and General Assembly resolution 44/228, of those issues, including concrete ways and means of strengthening the participation of transnational corporations and other commercial entities of a similar nature in the efforts to increase environmental protection and provide business enterprises and governmental agencies in developing countries with access to information on cleaner technologies, to examine the feasibility of financial mechanisms which will encourage transnational corporations and other enterprises of a similar nature to contribute to the protection and

enhancement of the environment of developing countries, and to report to the Commission on Transnational Corporations at its seventeenth session with a view to assisting the Commission in its contribution to the Preparatory Committee of the Conference.

3. The activities proposed in part II of the draft resolution would fall under chapter 23, Transnational corporations, of the medium-term plan for the period 1984-1989 (extended to 1991), as revised. 1/ They are not covered in the programme budget for the biennium 1990-1991 and would thus represent new activities under section 9, Transnational corporations. These new activities, to be undertaken during the period August 1990 to March 1991, are set out below:

1. Implementation of operative paragraphs 1 and 2

4. The comprehensive and analytical study called for in paragraph 1 of the draft resolution would be prepared by the Centre in 1990 and would address the issues of assessment and review the major political, economic and environmental aspects of sustainable development affecting transnational corporations, as called for in General Assembly resolution 44/228.

5. In the context of the preparation of the comprehensive and analytical study, special attention, as requested in operative paragraph 2, would be placed on reviewing ways to increase the availability of environmentally sound technologies for developing countries and on encouraging and mobilizing transnational corporations and other commercial entities of a similar nature to protect and enhance the global environment while contributing to economic growth and development. To that end, the Centre would undertake a survey of the environmental policies of transnational corporations. Concurrently, the Centre would organize in 1990 a four-day expert group meeting at Headquarters, consisting of senior officials from transnational corporations and representatives of Governments, to review specific aspects of contributions by transnational corporations to the activities of the 1992 United Nations Conference on Environment and Development, as well as to develop channels and arrangements for transfer of environmentally sound technologies to developing countries.

6. Throughout the process of preparation of the study, consultations would be conducted with officials of major transnational corporations, trade associations and related bodies, as well as with Governments, particularly Governments of developing countries, in order to develop policy options for the Commission and to encourage transnational corporations in related actions in light of the policy recommendations of the Commission. Furthermore, in line with those objectives, a five-day ad hoc expert group meeting with participation of up to 30 experts from transnational corporations, Governments, specialized agencies and other organizations would be organized at Headquarters in 1990 in order to assess and review various policy issues in that area and formulate recommendations to the Commission at its seventeenth session.

2. Implementation of operative paragraph 3

7. Activities called for in operative paragraph 3 are interpreted in the context of the provisions of Economic and Social Council resolution 1989/25 and would accordingly focus on the following three subjects:

(a) Development during the biennium 1990-1991 of operational principles for transnational corporations in environmental preservation and protection, and their subsequent discussion in consultations with representatives of transnational corporations and specialized agencies and at the ad hoc expert group meeting in 1990. Furthermore, the criteria for sustainable development, prepared by the Centre in 1989 in the context of the implementation of Economic and Social Council resolution 1989/25, would be distributed to all interested parties;

(b) Preparation during the biennium 1990-1991 of information guides and directories on hazardous technologies and their environmentally safer alternatives;

(c) Further elaboration in consultation with all interested parties of the feasibility of establishing an environment fund to be financed by transnational corporations, including, inter alia, consultations during the biennium 1990-1991 with representatives of transnational corporations, preparation on the basis of the 1989 findings on the subject of a draft prospectus outlining alternative arrangements for the environment fund, namely, venture capital window arrangements, mutual fund window arrangements, and voluntary window arrangements, as well as its terms of reference, field of activities and the related disbursement criteria, and undertaking fund-raising activities.

The report on progress to be made during the biennium 1990-1991 on the above three issues would be submitted by the Centre to the Commission at its seventeenth session.

B. Estimated requirements for additional activities in 1990 and 1991

8. It is estimated that the costs of the activities outlined in paragraph 3 above would be as follows:

	Total $US
(a) Comprehensive and analytical study (op. paras. 1 and 2)	
(i) Consultant services	33 100
(ii) Travel of staff (consultation missions)	37 500
(iii) Two ad hoc expert group meetings in 1990	75 000
(iv) General temporary assistance for secretarial and substantive conference servicing support	20 000
Sub total	165 600

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(b)	Development of operational principles, distribution of the Criteria (op. para. 3)	
(i)	Consultant services	5 300
(ii)	Ad hoc expert group meeting in 1990	25 000
(iii)	Travel of staff (consultation missions)	6 500
(iv)	External printing and distribution	5 000
(v)	General temporary assistance for secretarial and substantive conference servicing support	6 600
	Sub total	48 400
(c)	Information guides and directories on hazardous technologies and their alternatives (op. para. 3)	
(i)	Consultant services, including travel	33 100
(ii)	General temporary assistance for secretarial support	16 600
	Sub total	49 700
(d)	Feasibility of financial mechanisms (environment fund) (op. para. 3)	
(i)	Consultant services	64 900
(ii)	Travel of staff (consultation missions)	12 000
(iii)	External printing	6 000
(iv)	General temporary assistance	45 100
	Sub total	128 000
	Total	391 700

9. The requirements estimated in paragraph 8 above are recapitulated as follows:

		Total $US
(a)	Consultants	136 400
(b)	Ad hoc expert groups	100 000
(c)	Travel of staff	56 000
(d)	External printing and distribution	11 000
(e)	General temporary assistance	88 300
	Total	391 700

10. It is estimated that resources programmed under programme element 2.9, Analysis of environmental impact of transnational corporations, of section 9 of the programme budget for the biennium 1990-1991 could be utilized to partially offset some of the costs estimated in paragraph 8 above. In that connection, the 1991 funds relating to consultants and ad hoc expert group activities ($19,500) could be utilized for that purpose. Furthermore, the external printing and distribution costs ($11,000), as estimated in paragraph 8 above, could be met from within the overall resources programmed under section 9 of the programme budget for the biennium 1990-1991 for the operational costs of the Centre. The remaining costs, totalling $361,200, represent the additional requirements under section 9 of the programme budget.

C. Modifications required in the approved programme of work for 1990-1991

11. Should the Economic and Social Council adopt the draft resolution, the approved programme of work on transnational corporations (section 9) for the biennium 1990-1991 would require the following modifications:

Subprogramme 2. Minimizing the negative effects of transnational corporations and enhancing their contribution to development

Programme element 2.9 Analysis of the environmental impact of transnational corporations

Additional outputs:

(ii) Comprehensive and analytical study of major political, economic and environmental issues affecting transnational corporations in the light of General Assembly resolution 44/228, to be submitted to the Commission at its seventeenth session (first quarter, 1991);

(iii) Report to the Commission on issues relating to the environment, including concrete ways and means for strengthening the participation of transnational corporations and other commercial entities of similar character in the efforts for environmental

protection, issues relating to access to information on cleaner technologies by business enterprises and governmental agencies in developing countries, and the feasibility of financial mechanisms which will encourage transnational corporations and other enterprises of similar character to contribute to the protection and enhancement of the environment of developing countries (first quarter, 1991).

D. Proposals for accommodating the additional 1990-1991 requirements

12. The rules of procedure of the Economic and Social Council provide that:

(a) Before a proposal involving the expenditure of United Nations funds is approved by the Council, the Secretary-General shall prepare and provide to the Council an estimate of the programme budget implications of implementing the proposal;

(b) The President of the Council shall draw attention to that estimate and invite discussion on it when the proposal is considered by the Council;

(c) In accordance with the proposal approved by the Council, the Secretary-General shall make appropriate recommendations in the biennial programme budget and medium-term plan he subsequently presents to the General Assembly;

(d) In cases of exceptional urgency, the Council may request the Secretary-General to implement a new programme decision, as a matter of priority, during the current biennium;

(e) Such a new programme shall be implemented either within the current programmme budget or by additional appropriations to be approved by the General Assembly in accordance with the Financial Regulations and Rules of the United Nations.

13. The draft resolution under consideration, which the Commission on Transnational Corporations has recommended to the Council for adoption, requires activities that would have to be undertaken in the current biennium. Should the Council adopt the draft resolution, the Secretary-General would request the Council to confirm that the resolution constitutes a case of exceptional urgency and that the request contained therein must be implemented in the current biennium.

14. It will be recalled that, under the procedure established by the General Assembly in its resolution 41/213 and in effect starting with the biennium 1990-1991, a contingency fund is established for each biennium to accomodate additional expenditures derived from legislative mandates not provided for in the programme budget. Under the same procedure, if additional expenditures are proposed that exceed the resources available from the contingency fund, those activities can be implemented only through redeployment of resources from low-priority areas or modifications of approved activities. Otherwise, such additional activities will have to be deferred until a later biennium. A consolidated statement of all programme budget implications and revised estimates will be submitted to the General Assembly towards the end of its forty-fifth session.

15. In accordance with the procedure outlined in paragraph 14 above, other activities programmed under section 9 of the programme budget for the biennium 1990-1991, except those of high priority, will be identified for deferral to the next biennium in order to release funds currently allocated for related operational costs and to offset the additional requirements ($361,200), in the event that the balance available in the contingency fund would not be sufficient to accomodate the new activities called for by operative paragraphs 1 to 3 of part II of the draft resolution under consideration.

16. Should the Economic and Social Council adopt draft resolution III recommended by the Commission on Transnational Corporations and should the Council decide that the resolution constitutes a case of exceptional urgency and that the request contained therein must be implemented in the current biennium, the Secretary-General would seek from the General Assembly, in accordance with the Financial Regulations and Rules and subject to the criteria governing the operation and use of the contingency fund as spelt out in paragraph 14 above, additional appropriations amounting to $361,200.

Note

1/ Official Records of the General Assembly, Thirty-seventh Session, Supplement No. 6 (A/37/6); ibid., Forty-third Session, Supplement No. 6 (A/43/6); ibid., Supplement No. 16 (A/43/16).